

12 Victoria Street,  
Kempsey, NSW, 2440.

22<sup>nd</sup> April, 2014.

The Secretary,  
Financial System Inquiry,  
G.P.O. Box 89,  
Sydney, NSW, 2001.

Dear Secretary,

Re Financial System Inquiry

- The following Submission, contained in the appended excerpt from a book by Jeremy Lee, addresses the cause of the Parliament's financial dilemmas -- similar to those of the depression years -- along with the solution which is available via the Constitution, Section 51, Subsection ( xiii ).
- Unless this suggested action is taken, including the establishment of a mathematical equation between production and the purchasing power provided to the people, then an early repeat of the 1930 disaster is as certain as the fact that the Earth is not flat.
- It is equally certain that this catastrophe will be blamed on the current government instead of an accumulated result of neglect by successive parliaments since 1930.
- Owing to remarkable developments in the labour-saving automation in all industry over the last 200 years and consequent disappearance of many " jobs ", difficulties with a " full employment " idea, and " job creation " problems, it must be recognised that income distribution via " work " is several centuries out of date.
- A National Dividend, as practiced in Alaska, will be a sensible start. Its operational mechanics, based on arithmetic are simple enough.
- A clear understanding of each paragraph of the quote from Mr Lee's book is essential to providing a true solution to Australia's worsening financial problem.

Yours faithfully,

  
Bryan Morrow.

Chapter 2, The Commonwealth Bank.  
Depression Years 1930 - 32

The issue of "poverty in the midst of plenty" had become so intense that governments were forced to address the issue. The Tasmanian Parliament appointed a Select Committee of parliamentarians, headed by the Rev. G.S. Carruthers, on November 28, 1934. It conducted 18 full days of hearings, and took evidence from 24 witnesses, including three Bankers, two Professors of economics, as well as Government Department Directors, Accountants, Commercial leaders and producers. The Report was tabled in the Tasmanian Parliament on October 29, 1935, with the following findings:

*"On the evidence placed before it the Committee finds that the people are being prevented from possessing, consuming, and/or utilising and enjoying the increase of wealth and/or the actual or potential increase of production over the last 30 years; that the cause of this is shortage of purchasing power in the hands of the community as a whole; and that this can be effectively remedied only by -*

- (1) Restoration to the sovereign community of effective control over money in all its forms and:-*
- (2) The establishment by the Commonwealth Parliament of machinery which would secure regular equation between the community's production and the community's purchasing power."*

This, and the general intensity of the Depression forced the Commonwealth Government to appoint a Royal Commission on Money and Banking in 1937. As with so many Royal Commissions, it was a case of appointing prisoners to investigate the prison system! For any impartial examination of an issue, it is obviously essential to appoint investigators with no vested interest in the outcome.

Nevertheless, the Commission was forced to agree that the Commonwealth Bank was quite capable, legally and constitutionally, of financing all governmental needs in a number of ways. Section 504 of its Report, headed "Creation of Credit", read:

*"... Because of this power, too, the Commonwealth Bank can increase the cash reserves of the trading banks; for example, it can buy securities and other property, it can lend to the Government or to others in a variety of ways, and it can even make money available to the Governments and to others free of any charge..."*

As this last clause led to a good deal of controversy as to its exact meaning, Mr Justice Napier, Chairman of the Commission, was asked to interpret it, and his reply, received through the Secretary of the Commission (Mr Harris) was as follows:

*"This statement means that the Commonwealth Bank can make money available to Governments or to others on such terms as it chooses, even by way of a loan without interest, or even without requiring either interest or repayment of principal."*

This was simply a confirmation of the powers given to the Commonwealth Government in Section 51 of the Constitution. It was these essential powers which were, and are, being targeted by the private financial world, both nationally and internationally.

On December 7, 1939, the Legislative Assembly of Western Australia unanimously adopted the following resolution:

*"In view of the deplorable state of our primary industries and the ever-increasing poverty and unemployment in our midst, the national credit of the Commonwealth should be used in the interests of defence, the primary industries, and the general welfare of the people of Australia by and through the Commonwealth Bank without inflation or any charge."*